

Volunteer Quality Alert – 2007-03

February 28, 2007

*Volunteer Quality Alerts should be distributed to **all** non-AARP volunteers preparing or reviewing tax returns.*

Earned Income Tax Credit (EITC)

EITC is a refundable credit for which many VITA/TCE taxpayers may be eligible.

EITC can provide much needed resources to eligible taxpayers.

The IRS' goal is to make sure that everyone eligible for the EITC takes advantage of it.

Common EITC Errors:

1. Claiming a child who's not a qualifying child
2. Married taxpayers who incorrectly file as a single or head of household
3. Incorrectly reporting or underreporting income
4. Incorrect Social Security Numbers
5. Not claiming the credit when eligible

TO AVOID these common Errors, follow the EITC Rules:

General EITC Rules for Everyone:

- Taxpayers must have **earned** income
- Earned income must fall within the adjusted gross income limitations
- EITC can be claimed with **or** without a qualifying child
- Taxpayers must have a valid social security number for themselves **and** their qualifying children (if applicable)
- Filing status **cannot** be "Married Filing Separately"
- The taxpayer **cannot** be a qualifying child of another person
- Taxpayer **must** be a U.S. Citizen or resident alien all year

Qualifying Child – is a child who is the taxpayer's son, daughter, stepchild, eligible foster child, or a descendent of any of them OR is the taxpayer's brother, sister, half brother, half sister, stepbrother, stepsister, or a descendent of any of them; AND was under age 19 at the end of 2006 or under age 24 at the end of 2006 and a full-time student or was permanently and totally disabled at any time during the year, regardless of age; AND must have lived with the taxpayer in the U.S. for more than half the year.

In addition to the above EITC rules, here are the rules for Individuals with no Qualifying Child

The taxpayer must be at least age 25, under age 65 and cannot be the dependent of another person; AND cannot be a Qualifying Child of another person; AND must have lived in the U.S. for more than half of 2006; AND their Earned Income must be less than \$12,120 (\$14,120 if MFJ).

For more information on the EITC, please refer to one of the reference materials below:

Reference Materials/Volunteer Assistance:

- Publication 4012, Volunteer Resource Guide (White Tab "H"), **or**
- Publication 596, Earned Income Credit, **or**
- Publication 17, Your Federal Income Tax (Page 229 – 242) **or call**
- The VITA Hotline at 1-800-829-8482.

Please ensure:

- The EITC is correctly calculated for all qualifying taxpayers, and that
- Advanced EITC payments are properly reflected on the return